

Activity Document:

Economic Development, Growth with Equity (EDGE)

This document is a slightly modified version of the EDGE Activity Design Document.

1. Background

1.1 Poverty Reduction and the need for higher Economic Growth

Poverty has been the major development challenge in Bangladesh since the country achieved independence in 1971. The United Nations Development Program (UNDP) ranks Bangladesh 72 out of 93 developing countries in the Human Poverty Index.¹ Nearly 50% of Bangladesh's 140 million people subsist below the national poverty line, and 82% of the country's population lives on less than \$2 a day. Bangladesh's economic growth – a pre-requisite for poverty reduction – must remain at a rate of 7% GDP for the next decade in order to address this most enduring problem.²

1.2 Factors leading to the design of USAID's new activity

The Poverty Reduction Strategy Paper (PRSP) is the national plan to combat poverty. It is the result of an elaborate consultative process involving the private sector, civil society and the Government of Bangladesh (GOB). The International Monetary Fund (IMF) and the World Bank, as well as bilateral donors like USAID and the United Kingdom's Department for International Development (DFID), refer to the PRSP in their lending and assistance programs. USAID/Bangladesh's Strategic Objective 12 "*Expanded economic opportunities created through equitable economic growth*" is consistent with the PRSP's objectives, especially in the section of the paper that states "Priority would be given to the promotion of small and medium industries, especially agro-processing, information technology and exports."³ The PRSP also emphasizes the need for "qualitative improvement of technical and vocational education including information and communication technologies (ICT)."⁴

On the basis of the PRSP and on-going discussions with several GOB ministries and USAID's development partners, the USAID Activity Design Team (ADT) concluded there was a need for an activity to promote broad-based economic growth by assisting high-potential, export-oriented sub-sectors (so-called "thrust" sectors). USAID has a wealth of knowledge and experience in micro-, small and medium-scale enterprise (MSME) development, institutional strengthening and economic policy reform. For example, the USAID-financed Business Advisory Services Center (BASC) specialized in delivering advisory services to trade and industry, and the Micro Industries Development and Service (MIDAS) project focused on institutional capability building. BASC, MIDAS and the Job Opportunities and Business Support (JOBS) activity have become models for enterprise development in Bangladesh. In recent years, USAID has begun to incorporate into its enterprise activities new approaches derived from ICT and competitiveness strategies.

¹ UNDP, Human Development Index Report, 2004

² Ibid

³ Economic Relations Division, *National Strategy for Economic Growth, Poverty Reduction and Social Development*, March 2003

⁴ Ibid

Longstanding enterprise activities such as JOBS, Development of Sustainable Aquaculture (DSAP) and the Agro-based Industries and Technology Development Project (ATDP) have ended or will be completed by December 2005. USAID senior management prompted the ADT to re-examine the economic growth strategy to ensure responsiveness to contemporary opportunities and challenges in Bangladesh. For example, how will new USAID-funded enterprise activities address corruption, address the burgeoning unemployed youth population or create synergies with other Mission Strategic Objective teams? Consequently, the new enterprise activity is intended to utilize USAID's expertise yet avoid re-treading old ground (e.g. designing JOBS phase II or ATDP phase III) and confront changes in the development hypothesis.

USAID signed a Strategic Objective Grant Agreement (SOAG) with the Government of Bangladesh (GOB) in September 2003 for "competitive export development (CED)" under SO 5. The SOAG will be amended and re-stated to bring it under the new SO 12 and will serve as the primary obligating instrument for future USAID activities designed to accelerate economic growth. The CED concept paper was prepared with TDY technical support from EGAT/Microenterprise Development Office and reviewed in June 2004.

1.3 Activity Objectives and Results

The ADT proposes a new activity called Economic Development and Growth with Equity (EDGE). The EDGE activity will contribute to the GOB's PRSP as well as the new SO12 by strengthening the performance of select sub-sectors and addressing inequalities that adversely affect the poor. Sub-sector development requires wholesale changes in the way enterprises cooperate with each other, invest in their workforce, influence government policies and compete in the global market. USAID recognizes that a growth-orientated approach to poverty reduction does not automatically ensure an equal distribution of economic benefits. Ironically, intended beneficiaries can end up poorer if a development intervention overlooks equity issues. Within the EDGE activity, there is a component that will continuously monitor and evaluate progress so that pro-poor growth measures are adopted within each assisted sub-sector.

2. Development Challenge

2.1 The need for a competitive strategy for economic growth

Bangladesh's private sector is the engine for economic growth and a key to poverty reduction. The local private sector encompasses a range of businesses from micro-financed, informal enterprises to capital-intensive, industrial exporters. In spite of confrontational party politics that undermine the formulation and enforcement of economic policies, corruption that costs the country billions of dollars per year in taxable revenue and workforce productivity and inadequate public infrastructure (especially power, transport, and telecommunications) that further heightens business transaction costs; the country has achieved an average of 5% GDP growth during the past decade. The private sector, by persistence and ingenuity, has largely made the Bangladesh economic miracle possible.

In addition to the aforementioned obstacles to economic growth, the private sector's greatest challenges are often those of its own making. Bangladeshi businesses generally lack long-term development strategies, rely on inefficient management practices, invest very little in research and development and underutilize the power of ICT. The Bangladeshi private sector has taken a conservative approach toward competition. Rather than building strategic alliances to increase overall market share and reduce costs, companies often undercut each other to the detriment of all

parties concerned. The inability of many businesses to identify win-win relationships detracts from their ability to compete in the world market.

Another drawback to the growth of the private sector is that large businesses often fail to consider the vast pool of micro-, small and medium enterprises (MSMEs) as viable partners. The growth of MSMEs has been phenomenal in Bangladesh and since the late 1980s has accounted for the bulk of employment generation in the informal sector. This growth in the informal sector is one reason for Bangladesh's improved ranking in the human poverty index (HPI).⁵ However, the MSME sector is characterized by low profit-margin businesses providing most operators only a subsistence income. Although MSMEs contribute 25% to the country's GDP, most have not graduated to become larger or more profitable enterprises.

In the World Economic Forum's 2004 report, Bangladesh ranked 98 out of 102 countries in the "growth competitiveness index."⁶ This index shows a country's potential to attain sustained economic growth based upon the soundness of its macroeconomic policies, the quality of public institutions (a sub-index for corruption is included in this category), and its use of technology. The Center for Policy Dialogue's 2004 report on the "business competitiveness" index ranked Bangladesh 86 out of 95 countries. Bangladesh's MSMEs scored poorly in all basic areas of business management, including marketing, production, finance and human resources.

The EDGE activity will help Bangladesh achieve sustainable, broad-based economic growth by improving the way enterprises cooperate and compete within the global market. Improving competitiveness requires an array of investments in policy reform, workforce development, product and service quality, and in the availability and use of ICT.

3. Outcomes to be achieved

3.1 Activity Description

The EDGE activity will work with Bangladesh's public and private sub-sectors to devise and implement a strategy for competitive business development. The absence of a public-private sector competitive business strategy has contributed to Bangladesh's failure to achieve its economic growth potential and hampers the country's ability to reduce poverty. The EDGE activity aims to demonstrate the effectiveness of competitive business strategies – hopefully leading to the eventual adoption of a competitive strategy paradigm by local stakeholders in other sub-sectors.

The EDGE activity consists of two complementary components:

1. Poverty Reduction by Increasing the Competitiveness of Enterprises (PRICE); and
2. Policy Analysis, Monitoring and Assessment (PAMA).

The PRICE component will be the principal mechanism by which technical assistance will be provided to the private sector. The PRICE component will work with various enterprises within a minimum of six sub-sectors⁷ to increase access to new, profitable markets, leverage financing, improve workforce skills, expand the presence of embedded business development services,

⁵ World Economic Forum, *Global Competitiveness Report*, 2004

⁶ Center for Policy Dialogue, *State of the Bangladesh Economy*, IRBD/CPD, 2005

⁷ See Annex C for sector selection

encourage applied research and development and increase the use of ICT as a productivity-enhancing tool. Geographic Information Systems (GIS) will be used for several purposes including tracking enterprise clusters and identifying gaps within market coverage. Public-private sector partnerships will be encouraged to create alliances that help sustain PRICE's interventions. The PRICE implementer will collaborate with commodity-focused groups (e.g. maize association) and other business support organizations (e.g. Dhaka Chamber of Commerce and Industry, Women's Chamber of Commerce) to promote inter-firm cooperation and strengthen advocacy and management skills.

Workforce development is a crucial factor within any sector. Bangladesh relies on low-paid, underskilled workers as its primary advantage in the world market; however, a competitive strategy cannot be based on a race to the bottom of the labor pyramid. Interventions under the PRICE component will be aimed at encouraging companies to invest in the skill development of their workers. Assistance will be provided for short and long-term training in several strategically important areas including: agribusiness management, supply chain management and ICT.

The PAMA component will focus on monitoring the impact of the PRICE component interventions upon poverty reduction, employment generation, and other performance indicators. Data and recommendations from the PAMA component will help inform the GOB's efforts in policy reform and activity formulation. The PAMA implementer will collaborate with the GOB's Poverty Focus Point within the Planning Commission's General Economic Division (GED). The Poverty Focus Point is charged with tracking the implementation of anti-poverty policies and programs.

3.2 Expected Outcomes

The EDGE activity's expected outputs, as implemented through the two components, include:

1. Increase growth of MSME sector;
 2. Increase growth of non-textile commercial sub-sectors;
 3. Increase pro-poor economic opportunities;
 4. Improve skills of workforce;
 5. Expand database to support GOB strategic planning and policies; and
 6. Improve analytical capacity of policy makers.
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1. Growth of MSME Sector. Presently, MSMEs contribute 25% to Bangladesh's GDP. According to the 2003 National Private Sector Survey of Enterprises, MSMEs (excluding rickshaws) employ 31 million people.⁸ The growth potential of these MSMEs is enhanced when their products or services are linked with lead buyers. USAID's JOBS activity assisted enterprises expand their domestic and international sales and evolved a high-impact approach focused on better integrating MSMEs in growing sub-sectors. The JOBS activity identified sub-sectors with high export growth potential, such as home-textiles, leather goods, handmade paper, and personal protective gear. Facilitating backward and forward linkages will be a key approach undertaken by the PRICE implementer. As MSMEs become mainstreamed into the formal sector, the financial rewards accruing to enterprise operators should become greater.

⁸ Daniels, Lisa, *National Private Sector survey of Enterprises in Bangladesh 2003*, International Consulting Group, 2003

2. Growth of Non-Textile Commercial Sub-Sectors. In January 2005, the Multi-Fiber Arrangement (MFA) expired, and with it, Bangladesh also lost its import quota for the ready-made garments (RMG) markets in Europe and America. The MFA fostered Bangladesh's multi-million dollar garment industry by guaranteeing reliable access to US and EU markets by using quotas to limit exports from larger producers. The World Bank forecasts that China will control nearly half of the world's clothing exports by 2010, up from about 20% today. Low labor costs based on a semi-skilled workforce will be insufficient to preserve Bangladesh's position in the global RMG sector. USAID, along with the GOB and other international donors, contends that export diversification is an imperative in the post-MFA era. Sub-sectors such as software technology and frozen seafood have tremendous potential for exports and employment growth. Recent studies by the GOB and international agencies like the UNDP further support the importance of expanding Bangladesh's export basket.
3. Pro-Poor Economic Opportunities. The challenge of enabling pro-poor growth is how best to help people build their personal assets, as well as to provide the complementary public infrastructure and other support needed to enhance returns on these assets. The ADT contends that helping several enterprises, in the absence of a competitive strategy, does not fully contribute to pro-poor economic growth. The MSMEs must be considered an integral part of a competitive business sector rather than isolated enterprises with limited access to financial resources, technical assistance and markets.

There is an opportunity to build the MSME sector by developing forward linkages to larger firms. The benefits of establishing "forward and backward" linkages between businesses are apparent from USAID/Bangladesh's experience and from "best practices" gleaned from many other competitive development programs. The larger or "lead" firm (often, export-oriented) receives high quality products from MSMEs without additional capital investment and can more easily meet large orders. The MSMEs benefit by receiving regular orders and an indirect link to international markets. The PRICE component will be supported by Global Development Alliances (GDAs) and Development Credit Authority (DCA) instruments, managed independently from the PRICE implementer, to leverage strategic partnerships and commercial financing in support of business prospects.

The Grameen Bank provides credit to the poorest of the poor in Bangladesh without collateral. The Grameen model, which has been replicated by many other NGOs, has proven to be a cost-effective weapon in the fight against poverty. However, many microenterprises fail to generate the kind of profit margins that would interest commercial banks. At the next level, small and medium enterprises (SMEs) face even more obstacles than microenterprises. It is difficult for SMEs to get long-term financing to procure equipment or acquire new technology. Risk-adverse lending practices by local banks, including high collateral requirements and short repayment periods, obstruct many SMEs from obtaining credit. Although Bangladesh is awash with MSMEs (6 million according to a 2003 survey⁹), systemic impediments to their growth such as access to markets, business development skills and appropriate financing have yet to be addressed in a comprehensive fashion.

4. Improve Workforce Skills. Two million Bangladeshis enter the workforce annually; 70% of these individuals are below the age of 30. The GOB's budget for education is only 2% of the GDP compared to twice or three times that amount spent in the rapidly growing

⁹ Daniels. pg. 4

economies of Indonesia, Malaysia and Thailand. Bangladesh's labor force is approximately 68 million, out of which 27 million people (39.9% of total workforce) are either unemployed or underemployed.¹⁰ According to the World Bank, to achieve a substantial reduction in unemployment and underemployment, Bangladesh needs to create over 50 million jobs in the next 25 years. Unfortunately, there is a possibility that unemployment will rise in the wake of the MFA's end. Much work needs to be done in upgrading the skills of the Bangladeshi workforce so it can successfully adjust to the changing RMG sector. Diversifying the basket of exportable products and services may also contribute to creating jobs. Labor displacement will disproportionately affect women as they comprise 80% of the textile workforce and are less likely to be given opportunities for further education or training than their male colleagues. Issues of gender equity and equality are critical considerations within an effective competitiveness development plan. In Bangladesh, women tend to have far fewer opportunities for education and employment than men. By ensuring women's participation in skills development programs it is possible to break the cycles of poverty and fully utilize women, who are often an undervalued source of talent.

The PRICE component will support workforce development in several ways:

- co-finance skills training programs with businesses;
- support quality of life issues (e.g. workers' rights education, corporate responsibility training);
- employ ICT as a tool to assess, train and monitor workforce performance;
- in collaboration with the PAMA implementer, inform the development of GOB policies governing workforce, investment and economic development;
- support the development of private sector industry standards for workforce investment and development;
- help create a training culture where the workers are willing to improve knowledge and skills and employers are willing to invest in training; and
- develop workforce training in concert with the private sector to ensure its relevancy. Linking training to apprenticeship programs or on-the-job training in the private sector can help ensure this relevancy.

USAID may also support GDA projects that strengthen Bangladesh's ICT capacity and otherwise contribute toward building Bangladesh's competitive posture in the global market.

5. Expand Database to Support GOB Strategic Planning and Policies. Successful tactics that create pro-poor economic growth should be carefully recorded as this knowledge can contribute to the formulation of more effective plans, policies and activities. The PAMA component will:

- monitor and assess performance of economic growth interventions under the PRICE component;
- monitor the performance of other donor-assisted and GOB economic growth programs so as to inform interventions supported by the PRICE component;
- devise robust analytical tools for socio-economic impact assessments; and

¹⁰ Members of the labor force not working at all or working less than 15 hours are considered unemployed and those working less than 35 hours considered underemployed.

- develop a knowledge clearinghouse on economic growth-poverty reduction research.

The database created and managed by the PAMA implementer can serve to support strategic planning and the policy formulation process. The PAMA component will create an objective, systematic appraisal system to understand why certain interventions succeed or fail.

6. Improve Analytical Capacity of Policy Makers. Regulations and policies impeding a sector's development must be identified, analyzed, and milestone goals established to mark progress toward reform. There is growing recognition that ICT, as part of a broader governance reform effort, promotes economic growth by contributing to greater efficiency and higher standards of service delivery, transparency and accountability. The PAMA component will use e-governance as an analytical and training tool for policy development, policy reform and institutional capacity building. The PRICE and PAMA components will also coordinate with the Mission's outreach interventions.

4. Interventions

4.1 Proposed Interventions and Implementation Mechanisms

The development challenge is to transform Bangladesh's underperforming private sector into one that is globally competitive, profitable and able to contribute more substantially to poverty reduction. The implementers selected for the EDGE activity will be tasked to achieve this goal through interventions which include but are not limited to the following:

1. Survey potential business sub-sectors. Prioritize business sub-sectors that provide the greatest returns. The selection criteria should include: unmet (domestic and/or export) market demand, potential for growth (the sector should neither be fully mature nor require too much research and development investment), ability to maintain competitiveness over time, numbers of MSMEs in the sector, willingness of firms to re-invest in their industry, opportunities for backward linkages with MSMEs, labor intensity, and the ability to add value to raw, locally-available materials. The PRICE implementer will review studies prepared by UNDP and other organizations on the potential of non-textile sub-sectors. The implementer will work with the Export Promotion Bureau (EPB) to identify high potential sub-sectors. The PRICE implementer will examine these sub-sectors and propose for USAID approval those worthy for further analysis and support.
2. Perform a competitiveness analysis. The PRICE implementer should use this analysis to identify clear gaps within sub-sectors that constrain competitiveness and limit the participation of MSMEs. Policies that inhibit or that could enhance sub-sector performance will be identified.
3. Develop a strategy for upgrading sub-sectors. For each selected sub-sector, the PRICE implementer should produce a workforce development strategy based on factors such as product quality, innovative design and technology integration. Thorough, sector-specific gender and youth analyses should inform the development of these strategies.
4. Define a technical assistance plan for intervention that addresses skills/attitudes of firms, and inter-firm cooperation. The PRICE implementer should focus project resources at

changing attitudes detrimental to competitiveness and improving skills and expertise among businesses within a select sub-sector. Inter-firm cooperation must be encouraged, as it is essential to an effective competitiveness strategy.

5. Facilitate the formation of sector development alliance groups. Local businesses must demonstrate commitment to improving competitiveness of their respective sub-sectors before PRICE allocates resources. Sub-sector alliance groups are tangible, valuable components of a competitive strategy. Businesses within these alliances demonstrate their commitment by several means including cost-sharing and in-kind contributions.
6. Initiate interventions. Interventions should focus on key market failures in order to reduce distortions and target “nodes,” i.e. places in the sector where large numbers of firms assemble for processing, distribution or marketing, in order to leverage project resources. By working at a “system node,” an activity can affect large numbers of firms with a single intervention. Interventions should be initiated in concert with the respective sector development alliance. The sector’s enterprise members should take ownership of interventions and show willingness to invest in their industry’s development. All PRICE interventions should include a plan for sustainability and an explicit, upfront exit strategy. This work will be accomplished through the PRICE component.
7. Monitoring and Evaluation System. Perform periodic review of intervention plans against sector selection criteria, PMP indicators and demonstrated commitment from each alliance. The results should be incorporated into annual reports and used to adjust intervention plans. This is a task for the PRICE implementer, to be complemented by the PAMA component.
8. Policy Analysis and Knowledge Management. There are various toolkits available to help assess poverty reduction based upon the data collected. The complexity of this subject is another reason why the PAMA implementer, working with the GOB’s poverty cell in the Planning Commission, will track the PRICE component’s results. Sharing information with the GOB and other development partners on which approaches work or fail is a critical step in the EDGE activity implementation. The GOB will be able to make better-informed decisions and policies because of this intervention. Support for e-governance training, appropriate study tours and outreach to leaders of influence is included in this component. This work will be accomplished by the PAMA implementer.

4.2 Rationale for Proposed Interventions

The ADT designed the EDGE activity in response to opportunities and challenges outlined in the preceding sections of this document and in consultation with other donors, the GOB, civil society and various private sector partners. The proposed interventions are based upon best practices from USAID-supported projects in Bangladesh (e.g. JOBS, ATDPPII), from other countries (e.g. USAID/Egypt’s AERI project) and an extensive series of studies and reports.¹¹

¹¹ Chemonics “Bangladesh Enterprise Development Assessment Report,” 2001
Center for Policy Dialogue “Competitiveness Environment in Bangladesh,” 2003
UNIDO “Software Export Potential in Bangladesh Supply Factors,” 1996
SEDF, MoA, BOI “Agri-Invest 2003 Bangladesh,” 2003
“Integrating ICT into value chain assessment,” April 2004
USAID/EGAT Technical briefing “The Cluster-based initiative approach to Competitiveness and Economic Growth,” April 2004
USAID/EGAT “Subsectoral Business service approach to Program Design,” 2002

4.3 Relation of Interventions to other USAID Activities and Donor Programs

The EDGE activity is designed to serve as a platform for most of SO12's portfolio of activities as well as establish cross-sectoral synergies with other Mission teams. As an example, the Greater Access to Trade Expansion (GATE) activity complements the PRICE component objective to raise the status of women within the private sector. The PRICE component will also support workforce development, which complements the Mission strategic goal area of "investing in human capital." The PRICE implementer will organize workshops with business leaders on the importance of workforce development, conduct training courses on a cost-share basis with companies and help develop workforce development strategies with the select sub-sectors.

The EDGE activity is also expected to contribute to the Mission goal area "promote democratic institutions and practices" by informing decision makers using the PAMA component. Interventions under the PRICE component will always promote industrial democracy in the selected sub-sectors. The EDGE activity components will: strengthen the advocacy and analytical skills of business associations; support NGOs dealing with workers' rights; conduct workshops on Corporate Social Responsibility (CSR); and establish 'codes of conducts' similar to the code of conduct developed under the Shrimp Seal of Quality (SSOQ) program.

There are several donor-supported enterprise development projects in Bangladesh. USAID works collaboratively with other bi-lateral and multi-lateral development organizations to optimize resources and coordinate approaches in order to achieve the greatest sustainable impacts and will continue to do so during the implementation of the EDGE activity.

The British Department for International Development (DFID) funds the Katalyst Project that seeks to foster a policy environment conducive for economic growth. DFID is investing at least £20 million in financial sector development aimed at small enterprises. DFID's work, which focuses on the macro-level GOB policy environment, complements USAID's institutional competitive advantage that largely intervenes within the private sector. The World Bank Group, in collaboration with DFID, EU and CIDA, will also focus on business environment, including major infrastructure investments. SME financing is another investment area for the World Bank. The International Finance Corporation's (IFC) South Asia Enterprise Development Facility (SEDF) is a multi-donor initiative to support the growth of SMEs in Bangladesh, northeast India, Nepal and Bhutan. The overarching objectives of SEDF are to increase SME's access to financial services, build service delivery capacity, improve the policy environment and develop selected sub-sectors. USAID also consulted the Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), Danish International Development Agency (DANIDA) and the World Bank regarding collaboration in the agribusiness sector.

USAID is a member of the Private Sector Local Consultative Group of donors and chairs the ICT Working Group. USAID will use these fora to form strategic development partnerships during the implementation of the EDGE activity.

USAID, "Value Chain Assessment: Indonesia Cocoa," April 2004
"Development of Sustainable Aquaculture (DSAP) Evaluation," May 2004
Development Associates, "ATDPPII Assessment," February 2005

4.4 Geographical Focus

The EDGE activity is intended to be national in scope. The commercial and industrial centers of Bangladesh are well established (such as Dhaka and Chittagong); however, what is not always obvious is the location of emerging commercial nodes within the rural areas. Poverty mapping and GIS applications will be employed within the PRICE component to target interventions in high potential, yet underserved locations. The PRICE implementer would then be able to link these commercial nodes with larger markets.

5. Supporting Analysis and Consultation Process

5.1 Technical Feasibility

In 2001, USAID/Bangladesh conducted a technical review of on-going projects such as JOBS and ATDPPII. The review's conclusion gave further credence that sector development is an effective method to spur economic growth. In 2003, USAID/Bangladesh commissioned Chemonics to study private enterprise development. The final report, entitled "Bangladesh Enterprise Development Assessment Report," recommended that USAID take a sector-development approach and address MSME requirements for business advisory services. In November 2002, Action for Enterprise analyzed a range of sub-sectors and recommended some high-potential sub-sectors for future investment. The final report entitled, "Review of Subsector Work in Bangladesh," highlighted ICT, leather, fish/shrimp, horticulture, dairy, and poultry as potential growth sub-sectors. Additional research funded by USAID, DFID, and the Swedish International Development Agency (SIDA) resulted in a report entitled "The National Private-Sector Survey of Enterprises in Bangladesh, 2003." The survey was meant to provide a baseline for donors' working in enterprise development. Overall the aforementioned studies contributed to the rationale and technical feasibility of the EDGE activity.

Consultations with USAID contractors and grantees, donor agencies, and the GOB, especially with the Ministry of Commerce and the Export Promotion Bureau (EPB), further confirmed the feasibility of the sector development approach. Furthermore, meetings with representatives from various Bangladeshi industries, including ICT and agribusiness, supported the notion that the sector development approach holds the greatest opportunities for Bangladesh's economic growth.

In the area of ICT and workforce development, USAID/Bangladesh has benefited from assessments led by several USAID/Washington experts. The Mission commissioned the Carana Corporation to conduct an analysis of the ICT sector in order to identify growth opportunities. The final report was entitled "Information Technology Enabled Services (ITES) – Bangladesh: USAID Elements of a National Strategy for Development of an Information Technology Enabled Services Sector in Bangladesh."¹² The ADT concluded that Bangladesh must develop its human resource base before it can become globally competitive in the ICT sector or any export-orientated sector. Partnerships and alliances with the private sector will be especially important to support the formation of a capable workforce serving the interests of the GOB, the ICT sector and other economic sub-sectors.

USAID has invested resources toward developing tools to measure poverty alleviation. As an example, IRIS Center is working with USAID's Microenterprise Development division to develop and certify two poverty assessment tools that will enable compliance with the

¹² ITES, Carana Corporation, 2003

Microenterprise for Self-Reliance Act of 2000. Accuracy tests were undertaken in four countries, including Bangladesh, to identify appropriate poverty indicators, while accuracy tests were also completed for eight additional countries using the World Bank's Living Standards Measurement Survey (LSMS). These tools, among others, could be used by the PAMA component during the implementation of the EDGE activity.

6. Gender Statement

A gender analysis (Annex B) was conducted by the ADT with support from USAID/EGAT/Women in Development (WID)'s Greater Access to Trade Expansion (GATE).

The analysis shows inherent biases within the household and the workplace that disadvantage women. In Bangladesh, only 32% of women are literate, whereas 48% of men are literate. Many believe that an education will make a girl unfit for marriage; consequently, fewer educated women translates into fewer women in positions of economic, social and political power. Bangladesh is approximately 83% Muslim, and a combination of Islamic teaching and traditional beliefs and customs has created a society based on highly specialized gender roles. The Islamic practice of *purdah* (secluding women in order to protect their modesty and purity) is common throughout Bangladesh. One of the consequences of this social practice is that the labor market is restricted for women, making it more challenging for a woman to be financially independent.¹³

The rise of microenterprise development programs and the growth of the garment sector have served to improve the status of women in recent years. Women workers are entering in ever increasing numbers in the Bangladeshi workforce, particularly in the service sector and export-oriented industries. Nonetheless, women continue to face discrimination in the workplace and are usually paid far less than men.

The income that women make is almost entirely devoted to meeting the household's basic needs; that is not the case for men.¹⁴ Because women's incomes are often much lower than that of men, there is insufficient money available to pull households out of poverty. This is particularly so when there is no male earner in the household. To reduce poverty, efforts must be made to raise the income of women which, in turn, will help them raise the household's quality of life.

To address these challenges during the implementation of EDGE, the EDGE implementers will monitor the impact of gender and try to mitigate any bias against women in all activity interventions. To this end, the EDGE activity implementers will develop and implement a gender-mainstreaming plan with targets for ensuring that women are represented among the enterprises receiving assistance.

7. Human and Institutional Capacity

7.1 Institutional Partners

The EDGE activity's exit strategy must include raising the technical and managerial abilities of local institutions and partners to take over project services. The EDGE implementers are expected to collaborate with a range of public and private institutions such as the Bangladesh

¹³ Asian Development Bank, Country Gender Strategy, 2004

¹⁴ ADB, 2004

Board of Investment (BOI), and the Export Promotion Bureau (EPB) and civil society groups such as the Consumers Association of Bangladesh (CAB), women's business associations, Dhaka Chamber of Commerce and Industry (DCCI) and the Junior Chamber International. These collaborations could be formal (e.g. sub-agreements and memoranda of understanding) or informal; however, they should be sector specific and have clear goals.

7.2 Expectations regarding local partners

Local partners/institutions will provide EDGE implementers with socio-political and cultural context and knowledge needed to effectively tailor interventions. Local institutions have established constituencies that can be drawn in to participate in the EDGE activity's sector development process. When appropriate, local partners will share the cost of activity interventions by contributing cash and/or in kind resources. The activity implementers will collaborate with the Ministry of Commerce and engage other relevant ministries such as the Ministry of Science and Information and Communication Technology, the Ministry of Labor and Manpower, the Ministry of Fisheries and Livestock, the Ministry of Agriculture and the Ministry of Finance.

7.3 Institutional-capacity building

There are approximately 4,000 business associations in Bangladesh; however, the ability of these groups to cater to the interests of their constituency is generally weak. The ADT, as supported by several enterprise studies, concludes that many local business associations and chambers of commerce need strengthening, especially in the areas of policy advocacy, corporate governance and corporate responsibility. The EDGE implementers will be expected to engage the GOB at the local as well as the national level to advance its understanding of and working relationship with the private sector. Often, business associations are dominated by a few lead firms or charismatic individuals but fail to represent the broader interests of their constituency.

8. Environmental Assessment

The Initial Environmental Examination (IEE) was prepared by the Mission Environmental Officer (MEO) on August 8, 2005. The PRICE component of the EDGE activity anticipates intervention in a minimum of six business sub-sectors. The PRICE component was, therefore, recommended for deferral pursuant to 22 CFR 216.3 (a) (7)(IV). The IEEs for specific activities designed under the PRICE component will be developed once the sub-sectors and specific interventions are identified.

Since the PRICE implementer will work with a minimum of six sub-sectors, it is anticipated that some or all of the sub-sectors will have some environmental issues that will have to be dealt with throughout the implementation. This will necessitate that the PRICE implementer develop an Environmental Management Plan (EMP). To address this matter, EGFE-ED will:

1. note in the solicitation that the bidder must develop appropriate environmental management plans (EMP) for each business sector to be supported. Ideally, each sub-sector should have a separate EMP, which will contain activity screening, compliance and effective monitoring aspects. However, if all the sub-sectors can be identified at the outset, an umbrella EMP may suffice. The EMP(s) will include appropriate assessment instruments and methods. The PRICE cognizant technical officer (CTO)

- will work with the MEO to ensure that sub-sector interventions are not begun until the respective EMP has been approved.
2. instruct potential offerors to budget for the development and implementation of EMPs.

The PAMA implementer is expected to monitor and assess the impact of the PRICE activity. The interventions under the component will be for the purpose of technical assistance and, therefore, are not expected to have a negative impact on the physical or natural environment. Pursuant to the provisions of 22 CFR 216.2(c) (1) (i), the PAMA component has been recommended for a Categorical Exclusion.

9. Implementation and Management Plan

9.1 Implementation Plan

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9.2 Stakeholder Discussion Forum

An Advisory Committee (AC) comprised of representatives from USAID, the implementers, GOB and two-thirds from the private sector will be established at the onset of the PRICE component implementation. The AC will serve as a platform for stakeholders to discuss implementation issues, and make technical recommendations to improve activity outcomes. The AC will serve in an advisory capacity only and will not have the authority to make decisions regarding contract implementation. The PAMA implementer may also participate in this forum.

9.3 USAID Management Support Structure

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9.4 Recommended Implementation timeline

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10. Performance Monitoring Plan

10.1 Illustrative performance indicators

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The EDGE activity requires a performance monitoring plan that is capable of tracking progress and documenting results. The system must be responsive to possible adjustments in the targets and/or indicators as agreed to by USAID. To achieve the EDGE activity's goal, the following targets and performance indicators are proposed:

1. Increase Growth of MSME sector. Fostering backward and forward linkages will enable USAID-assisted MSMEs in select sub-sectors to participate in regional and international markets.

- Increased MSMEs sales
 - Increased number of commercial loans granted to MSMEs (disaggregated by gender)
 - Number of MSMEs graduated from the informal to the formal sector (disaggregated by gender)
2. Increase Growth of Non-Textile Commercial Sub-Sectors. Diversify and strengthen USAID-assisted enterprises' contribution to the GDP by raising productivity and quality performance in non-textile commercial sub-sectors
 - Increased export sales in non-textile commercial sub-sectors
 - Increased in domestic sales growth
 - Number of enterprises entering new domestic and international markets (disaggregated by gender)
 - Adoption of new technologies by USAID-assisted enterprises
 3. Increase pro-poor economic opportunities. Contribute to a decrease in the Human Poverty Index for workers within a select, USAID-assisted business sector.
 - Average incomes raised among participant MSMEs (disaggregated by gender)
 - Wage disparity due to gender reduced among participant MSMEs
 - Number of forward linkages created between MSMEs and lead firms
 4. Improved Workforce Skills. A better skilled workforce will contribute to a more efficiently run business and add flexibility to pursue new market opportunities.
 - Number of persons trained (disaggregated by gender)
 - Increased investment by companies in workforce development training
 - Productivity of workers increased
 5. Expanded Database to Support GOB Strategic Planning and Policies. Increasing transparency and accountability in government and business, reducing transaction costs, more effective pro-poor growth tactics, and enforcing regulations which protect workers rights and the environment are expected outcomes.
 - Policy reforms attributed to data/analysis supplied by activity
 6. Improve analytical capacity of Policy Makers.
 - Number of GOB officers trained in e-governance tools

11. Financial Plan

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ANNEX A: GENDER ANALYSIS

UNDP's Gender Empowerment Measure (GEM) measures inequality, but in economic and political spheres of activity. It is made up of two dimensions; namely: (1) economic participation and decision making measured by the percentage of female administrators, managers, professional and technical workers; and (2) political participation and decision making measured by the percentage of seats in parliament held by women. Power over economic resources is measured by Women's estimated earned income.

Bangladesh's GEM score ranks a disappointing 76 out of 78 countries measured.

Bangladeshi women's economic contribution is substantial but largely unacknowledged. Women in rural areas are responsible for most of the post-harvest work, which is done in the Chula (earthen stove), and for keeping livestock, poultry and small gardens. Women in cities relied on domestic and traditional jobs, but in the 1980s they increasingly worked in manufacturing jobs, especially in the readymade garment industry. Those with more education worked in government, health care, and teaching, but their numbers remained very small. Continuing high rates of population growth and the declining availability of work based in the Chula meant that more women sought employment outside the home.

The labor market in Bangladesh is segregated by sex – men and women are not distributed evenly across all sub-sectors and occupations in proportion to their participation in the total labor force. Bangladesh has achieved impressive results in reducing poverty, yet women continue to lag far behind in reaping these gains. Economic growth has been accompanied by increasing inequality. Women's earnings are almost 50 percent less than men's. Their representation in professional and technical jobs remains low, while the employment opportunities presented in the labor-intensive export industries remain insecure, low-waged, and low-skilled. Moreover, employment opportunities in labor-intensive sub-sectors such as the ready-made garment (RMG) industry, which employs up to 80 million rural women, may contract in the wake of the expiration of the Multi-Fiber Agreement (MFA). Consequently, it is important that workforce development programs take into account the particular skills and needs of women workers as a means of ensuring they have access to new jobs, hold the necessary skills to attain these jobs, and that the wages earned are better than, or at least comparable to, their previous incomes.

International trade can be a powerful force for economic growth and poverty reduction. However, the impacts of globalization are complex and multi-faceted, with the poor often in a weak position to take advantage of available opportunities. Ultimately, systematic exclusion of a large portion of the population from access to markets, knowledge, skills and productive activities based on gender diminishes an economy's capacity to grow and to raise overall living standards. Conversely, countries that decrease such disparities realize more effective development including faster economic growth, improved governance, and increased levels of well being.

Desired Gender Result: Gender considerations are to be incorporated in the EDGE activity so as to provide opportunities to improve the economic well-being of women. The EDGE implementers will monitor the impact of gender and try to mitigate any bias against women in all activity interventions. The EDGE activity implementers are to develop and implement a gender-mainstreaming plan with targets for ensuring that women are represented among the enterprises receiving assistance.

1. The gender mainstreaming plan will promote full economic participation on the basis of gender equity of women and men, improve policy makers' understanding of the gender-based constraints to women's participation in economic activities and strengthen the capacity of non-governmental organizations (NGOs) and other partners to address gender issues related to economic growth and agriculture.
2. The gender-mainstreaming plan will include specific strategies to reduce gender inequality in terms of access to resources and services necessary for the businesses to grow such as women entrepreneurs' access to credit and technical assistance.
3. All public education and consensus-building efforts should include gender-mainstreaming plans to encourage and ensure equal participation.
4. The EDGE activity implementers must report sex-disaggregated statistics regarding enterprise ownership, business association leadership, participation in national conferences, and jobs created.

ANNEX B: THRUST SUB-SECTORS

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ANNEX C: Donor matrix for Post-MFA interventions

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